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Communication from the Central Unit for Financial Matters

No. 777

Prague, 16 July 1947

Revision of System of Payment between the Czechoslovak Republic and Poland

We publish in the following the general directions of the Czechoslovak National Bank in Prague, No. 23/47, Administration of Foreign Currency, dated 14 July 1947.

Payment (Zahlungverkehr) between the Czechoslovak Republic and Poland was re-regulated through a Payment Agreement signed on 4 July. Payments are made in Czechoslovak crowns (Kcs) from tax-exempt accounts set up in Kcs in the Czechoslovak National Bank in the name of "Narodowy Bank Polski, Warszawa" and "Narodowy Bank Polski-Konto T." Payments from the Czechoslovak Republic to Poland are made in Kcs to the above-mentioned accounts. Payments from Poland to the Czechoslovak Republic are charged to these accounts in the Czechoslovak National Bank.

Deposits into and withdrawals from these accounts in currency other than Kcs are to be converted into Kcs at the average rate of exchange on the day the deposit or withdrawal is made.

To guarantee the smooth progress of payments, the Czechoslovak National Bank will make payments to the Narodowy Bank Polski as long as the latter's debit balance on the books of the Czechoslovak National Bank does not exceed the amount of 400 million Kcs. The Narodowy Bank Polski will obtain the necessary Kcs either for sale or by selling free foreign currency.

The stipulations of the Payment Agreement include the following categories:

- A. Goods delivered from Czechoslovakia to Poland and from Poland to Czechoslovakia, including such incidental expenses as insurance, commissions, packing charges, warehousing expenses, tariff charges, etc.

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5	CONTROL	FBM	FBZ	SCD	X CFB		
1	PLANS	X		TRB	X	G. Hall	X

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- B. Manufacturing and refining expenses; expenses of assembly and repair.
- C. Fees, remunerations, pensions, subsidies, salaries, etc.
- D. Protection of property rights in industry and in trade (licenses, patents, trade marks, authors' rights, and the like).
- E. Railway, postal, telegraph, telephone, and other communications charges.
- F. River freight in Polish or Czechoslovak ships.
- G. Payment for mutual air traffic. Aircraft tickets for all lines leaving Prague may be paid for by the Polish travelers from allowances made to them from the Narodowy Bank Polski's Kcs account in the Czechoslovak National Bank.
- H. Travelling expenses.
- I. Maintenance costs of diplomatic representations, as well as consular and trade representations.
- J. All other payments in accordance with mutual agreement of the appropriate offices of both parties to the Agreement.

Two-thirds of the Czechoslovak liabilities for freight carried in Polish vessels is paid in Kcs, and one-third in either pounds sterling or Swedish crowns, as elected by the National Bank.

In order to facilitate the actual execution of payments for freight, Czechoslovak shippers will pay the freight charges of the Polish steamship companies in Kcs to the Narodowy Bank Polski's account in the Czechoslovak National Bank. That third of the freight charges which is due the Polish partner in foreign currency is remitted through the Czechoslovak National Bank in pounds sterling or in Swedish crowns within a period of from one to three months, at the decision of the Polish National Bank, whereby its account is debited with the equivalent value in Kcs.

On 15 July 1947, the Czechoslovak National Bank will close the account in the name of "Narodowy Bank Polski, Warszawa," as well as Account "A," and will transfer all claims to a new account in the same name, to which the stipulations of the new Payment Agreement will be applicable. With the following exceptions, all payments will be made through this account:

The Czechoslovak National Bank will open a second Kcs account in the name of "Narodowy Bank Polski, Account T," from which travelling expenses, salaries, pensions, rent, and subsidies will be paid. This account will be composed, on the one hand, of the funds transferred from the above-mentioned account and, on the other hand, of funds deposited for this purpose by inhabitants of Czechoslovakia in favor of recipients in Poland. All correspondence with regard to this account is to be addressed to the Narodowy Bank Polski, Wydzial Zagraniczny, Warszawa, Fredry 8.

Payments authorized under A - J above which were not made, and debts incurred after 9 May 1945, are paid in Kcs according to the above general directions.

For goods delivered from Poland to the Czechoslovak Republic, computations are made in Czechoslovak crowns or in a currency quoted in Prague, but not in Polish Zlotys. After 1 July 1947, whenever the Polish statuta are quoted in Zlotys, the amounts will be converted into Kcs according to the following:

The official rate of exchange is: 1 Kcs = 3 Polish Zlotys. Over and above the official rate, the Narodowy Bank Polski will make the following additional payments:

1. In payments made in accordance with A, B, C, D, and E, listed above, except for the goods listed under A, the additional payment will be in the amount of 3 Zlotys for 1 Kcs, so that the exchange rate is 1 Kcs for 5 Zlotys.
2. In payments made in accordance with G listed above, the additional payment will be in the amount of 1.50 Zlotys for 1 Kcs, so that the final rate of exchange is 1 Kcs for 3.50 Zlotys.

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3. In payments made in accordance with F, and the railway charges under H, the additional payment will be in the amount of 1.30 Zlotys for 1 Kč, so that the final rate of exchange is 1 Kč for 3.30 Zlotys.

This method will be used for computing the railway costs from 1 April 1947, or from the day on which the increase in railway charges became effective in Poland, and will be valid until the Polish Government establishes a transit-rate in Kčs for Czechoslovakia. However, insofar as the transportation charges have not been computed in accordance with the new rate, they will be computed in another currency.

If, for the above-mentioned services, adjustments favorable to Poland are instituted in Poland, the same advantages shall be applicable to the Czechoslovak Republic.

#### Investment Agreement

Czechoslovak deliveries to Poland, made in accordance with the stipulations of the Czechoslovak-Polish Investment Agreement, are paid for according to the following principles:

1. Poland entrusted the Gospodarstwa Krajowego Bank in Warsaw with the execution of payments.
2. All payments in favor of Czechoslovakia are made to the Živnostenská Banka in Prague.
3. For this purpose, the Živnostenská Banka opens an account in the name of "Gospodarstwa Krajowego Bank - Investments." All payments to the Czechoslovak deliverers are made from this account, in accordance with the stipulations established in the contracts.
4. The settlement mentioned in 2 above will be made by the Polish partner through a transfer of funds from the Kčs account of the Narodowy Bank Polski in the Czechoslovak National Bank. In the event that this method does not suffice, the Narodowy Bank Polski is to obtain Czechoslovak crowns for free foreign currency or gold, in accordance with the stipulations of the Payment Agreement of 4 July 1947, or in another manner with the consent of the National Bank.

In addition to postage charges, a commission of 3% is deducted from payments to Poland as well as from payments from Poland. Half of this commission is received by the bank carrying out the payment. In both cases, these expenses are borne by the Polish payer or the Polish payee.

In carrying out payments the Živnostenská Banka will charge the Czechoslovak payee, in addition to the expenses, a clearing-commission of 3%, half of which will be paid every month to the Czechoslovak National Bank.

Transfers to the Živnostenská Banka from the Narodowy Bank Polski's account in the Czechoslovak National Bank are executed without commission deductions.

The Czechoslovak-Polish Payment Agreement became valid on the day it was signed, i.e., 4 July 1947, and will be valid for a period of five years. The agreement will be valid for an additional year if neither party expresses, six months before the end of the five-year period, his wish to discontinue it. After that, it will continue to be valid for one-year periods if neither party, six months before the end of each one-year period, expresses his wish to discontinue it. It cannot be invalidated by either treaty partner before the end of a period, but can be replaced by a new agreement at any time.

The Czechoslovak-Polish Agreement on Investment Deliveries is valid from the day of signature (4 July 1947) until 30 June 1952.

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